



Dave Yost • Auditor of State

VILLAGE OF BEAVERDAM
ALLEN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Beavertdam
Allen County
101 W. Main St
Beavertdam, Ohio 45808

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the Village of Beavertdam, Allen County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Beavertdam, Allen County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2016

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$16,640			\$16,640
Municipal Income Tax	148,683			148,683
Intergovernmental	13,936	\$26,694		40,630
Special Assessments	1,305			1,305
Charges for Services	80			80
Fines, Licenses and Permits	4,870			4,870
Earnings on Investments	694	63		757
Miscellaneous	294	9,891		10,185
Total Cash Receipts	<u>186,502</u>	<u>36,648</u>		<u>223,150</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,197			8,197
Leisure Time Activities	12	1,417		1,429
Community Environment		4,500		4,500
Health	1,487			
Transportation		24,868		24,868
General Government	75,708			75,708
Capital Outlay	91,836			91,836
Debt Service:				
Principal Retirement	3,759			3,759
Interest and Fiscal Charges	3,009			3,009
Total Cash Disbursements	<u>184,008</u>	<u>30,785</u>		<u>213,306</u>
Excess of Receipts Over Disbursements	<u>2,494</u>	<u>5,863</u>		<u>9,844</u>
Other Financing Receipts:				
Other Financing Sources	<u>570</u>			<u>570</u>
Net Change in Fund Cash Balances	3,064	5,863		8,927
Fund Cash Balances, January 1	<u>308,776</u>	<u>16,538</u>	<u>\$46,101</u>	<u>371,415</u>
Fund Cash Balances, December 31:				
Restricted		12,880		12,880
Committed		9,521	46,101	55,622
Assigned	292,089			292,089
Unassigned	19,751			19,751
Fund Cash Balances, December 31	<u>\$311,840</u>	<u>\$22,401</u>	<u>\$46,101</u>	<u>\$380,342</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating Cash Receipts:	
Charges for Services	<u>\$516,676</u>
Operating Cash Disbursements:	
Personal Services	96,649
Employee Fringe Benefits	31,772
Contractual Services	154,406
Supplies and Materials	222
Other	<u>56,080</u>
Total Operating Cash Disbursements	<u>339,129</u>
Operating Income	<u>177,547</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	1,557
Capital Outlay	(36,765)
Principal Retirement	(25,514)
Interest and Other Fiscal Charges	<u>(8,864)</u>
Total Non-Operating Receipts (Disbursements)	<u>(69,586)</u>
Net Change in Fund Cash Balances	107,961
Fund Cash Balances, January 1:	<u>318,547</u>
Fund Cash Balances, December 31:	<u><u>\$426,508</u></u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$17,753			\$17,753
Municipal Income Tax	152,028			152,028
Intergovernmental	13,223	\$21,688		34,911
Special Assessments	1,068			1,068
Charges for Services	190	25		215
Fines, Licenses and Permits	4,393			4,393
Earnings on Investments	769	60		829
Miscellaneous	4,173	3,223		7,396
Total Cash Receipts	<u>193,597</u>	<u>24,996</u>		<u>218,593</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,169			8,169
Public Health Services	1,402			1,402
Leisure Time Activities	61			61
Transportation		29,293		29,293
General Government	84,681			84,681
Capital Outlay	108,441		\$173,789	282,230
Debt Service:				
Principal Retirement	2,430			2,430
Interest and Fiscal Charges	2,659			2,659
Total Cash Disbursements	<u>207,843</u>	<u>29,293</u>	<u>173,789</u>	<u>410,925</u>
Excess of Receipts (Under) Disbursements	<u>(14,246)</u>	<u>(4,297)</u>	<u>(173,789)</u>	<u>(192,332)</u>
Other Financing Receipts (Disbursements):				
Sale of Notes			173,789	173,789
Transfers In		800		800
Transfers Out	(800)			(800)
Other Financing Sources	4,925			4,925
Total Other Financing Receipts (Disbursements)	<u>4,125</u>	<u>800</u>	<u>173,789</u>	<u>178,714</u>
Net Change in Fund Cash Balances	(10,121)	(3,497)		(13,618)
Fund Cash Balances, January 1:	<u>318,897</u>	<u>20,035</u>	<u>\$46,101</u>	<u>385,033</u>
Fund Cash Balances, December 31:				
Restricted		11,853		11,853
Committed		4,685	46,101	50,786
Assigned	261,705			261,705
Unassigned (Deficit)	47,071			47,071
Fund Cash Balances, December 31	<u>\$308,776</u>	<u>\$16,538</u>	<u>\$46,101</u>	<u>\$371,415</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Cash Receipts:	
Charges for Services	<u>\$448,443</u>
Operating Cash Disbursements:	
Personal Services	100,163
Employee Fringe Benefits	32,324
Contractual Services	149,274
Supplies and Materials	2,210
Other	<u>50,385</u>
Total Operating Cash Disbursements	<u>334,356</u>
Operating Income	<u>114,087</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	4,925
Capital Outlay	(30,903)
Principal Retirement	(29,370)
Interest and Other Fiscal Charges	<u>(9,538)</u>
Total Non-Operating Receipts (Disbursements)	<u>(64,886)</u>
Net Change in Fund Cash Balances	49,201
Fund Cash Balances, January 1:	<u>269,346</u>
Fund Cash Balances, December 31:	<u><u>\$318,547</u></u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Beaverdam, Allen County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including, water and sewer utilities, garbage and trash services, and street and highway maintenance. The Village contracts with the Allen County Sheriff's department to provide security of persons and property.

Village residents volunteer their services to the Richland Township Fire and Emergency Medical Services who provide fire and ambulance services to Village Residents.

The Village participates in a public entity risk pool and one jointly governed organization. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Plan Risk Management which provides property, liability, errors and omissions, law enforcement, automobiles, excess liability, crime, surety and bond, inland marine and other coverages to its members.

Jointly Governed Organization:

Lima-Allen County Regional Planning Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village has no investments.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Bond Construction Fund – This fund receives proceeds of a loan notes. The proceeds were used to construct a new municipal building.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

VILLAGE OF BEAVERDAM
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Demand deposits	\$725,093	\$608,686
Certificates of deposit	81,757	81,276
Total deposits	806,850	689,962

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$192,449	\$187,072	(\$5,377)
Special Revenue	21,400	36,648	15,248
Enterprise	454,000	518,233	64,233
Total	\$667,849	\$741,953	\$74,104

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$454,154	\$184,008	\$270,146
Special Revenue	34,823	30,785	4,038
Capital Projects	46,101		46,101
Enterprise	775,908	410,272	365,636
Total	\$1,310,986	\$625,065	\$685,921

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$274,180	\$198,522	(\$75,658)
Special Revenue	26,200	25,796	(404)
Capital Projects	186,632	173,789	(12,843)
Enterprise	423,970	453,368	29,398
Total	<u>\$910,982</u>	<u>\$851,475</u>	<u>(\$59,507)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$606,267	\$208,643	\$397,624
Special Revenue	36,343	29,293	7,050
Capital Projects	219,890	173,789	46,101
Enterprise	679,873	404,167	275,706
Total	<u>\$1,542,373</u>	<u>\$815,892</u>	<u>\$726,481</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency, the third party tax administrator for the Village, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Town Hall Building Project	\$277,620	3.18%
Sewer System First Mortgage Revenue Bonds	39,000	5.00%
Total	\$316,620	

On September 25, 2013, a loan in the amount of \$300,000 was received to construct a new town hall. In 2013, \$126,211 of this loan was received with the balance of \$173,789 being received in 2013. The loan is to be repaid with monthly principal and interest payments starting on May 1, 2014 and maturing on January 1, 2034. This loan will be re-paid from the General, Water Operating, and Sewer Operating funds.

The Sewer System First Mortgage Revenue Bonds relates to the sewer improvement project. The bonds are to be repaid in annual installments of varying amounts. The final payment is scheduled for 2017. These bonds are being repaid from the Sewer Operating Fund.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Town Hall Loan	Mortgage Revenue Bonds	Total
2016	\$20,296	\$20,950	\$41,246
2017	20,296	21,000	41,296
2018	21,231		21,231
2019	24,034		24,034
2020	24,034		24,034
2021-2025	120,170		120,170
2026-2030	120,170		120,170
2031-2034	78,113		78,113
Total	\$428,344	\$41,950	\$470,294

7. RETIREMENT SYSTEM

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Jointly Governed Organization

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West North Street., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Beaverdam
Allen County
101 W. Main St
Beaverdam, Ohio 45808

To the Members of Council,

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Beaverdam, Allen County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2016

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Recording of Financial Activity

The Village should have controls and/or procedures in place to help prevent and detect errors in financial reporting.

The following errors were identified in the financial statements:

- In 2015, the beginning balance of the Special Revenue Income Tax Fund in the amount of \$258,360, receipts of \$148,683, disbursements of \$150,561, and the ending balance of \$256,482, were reported as a Special Revenue Fund. The Village's Income Tax ordinance No. 2009-38 states that the purpose of the income tax is for general municipal operations and for the elimination of deficits in Village funds. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 30(GASB Codification 1300.105) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states that special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Since the funding source of the Income Tax Fund is unrestricted, the activity and balances should be included in the General Fund for financial reporting purposes.
- Homestead and rollback receipts in the amount of \$1,430 at December 31, 2015 and \$1,443 at December 31, 2014 were recorded in the General Fund as Property and Other Local Taxes receipts instead of Intergovernmental Receipts.
- Special assessment receipts in the amount of \$1,279 at December 31, 2015 and \$1,047 at December 31, 2014 were recorded in the General Fund as Property and Other Local Taxes.
- Subsequent year appropriations in the General Fund exceeded estimated receipts by \$292,089 in 2015 and by \$261,705 in 2014. The excess of subsequent year appropriations over estimated receipts should be reported as assigned fund balance per GASB Statement No. 54, paragraph 16 (GASB Codification 1800.176).
- A memo disbursement was recorded in the General Fund during 2014 in the amount of \$41,807. During 2015, the transaction was voided and the Village recorded a fund balance adjustment to remove the prior year disbursement which resulted in the overstatement of capital outlay disbursements and the understatement of the General Fund balance at December 31, 2014. Also, this fund balance adjustment in 2015 was recorded in the Capital Projects Bond Construction Fund instead of the General Fund.
- The December 31, 2015 and 2014 ending fund balance of the Special Revenue Park Fund, in the amount of \$9,521 and \$4,685, respectively, which was established by Council action was recorded as Restricted Fund balance instead of Committed Fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance per GASB Statement No. 54, paragraph 10(GASB Codification 1800.170).
- In 2015, fees recorded in the Special Revenue Parks and Recreation Fund for shelter house rentals in the amount of \$85 were recorded as charges for services instead of miscellaneous receipts. Also, disbursements for gasoline purchases in the amount of \$1,417 were recorded as transportation instead of leisure time disbursements.

**FINDING NUMBER 2015-001
(Continued)**

- In 2014 transfers in and transfers out in the amount of \$14,269 were reported in the General Fund. These transfers were from the Income Tax fund to the General Fund. Since the Income Tax Fund rolls into the General Fund for financial reporting, this transfer should have been eliminated from the statements.
- In 2014, motor vehicle license tax receipts in the amount of \$363 were classified as miscellaneous receipts instead of Intergovernmental receipts in the Special Revenue Motor Vehicle License Tax fund.
- In 2014, loan proceeds and disbursements in the amount of \$32,780 related to the town hall construction project were not recorded by the Village. Audit adjustments were made to record this activity in the Capital Projects Construction fund.

In addition to the errors listed above, property tax receipts and special assessment receipts were recorded net of related fees charged by the county auditor. This resulted in the understatement of receipts and disbursements in the General Fund in 2015 by \$1,816 and in 2014 by \$5,405

The accompanying financial statements, and where necessary, the accounting records have been adjusted to correct these recording errors.

There was no evidence to indicate that Council had reviewed and approved monthly budget versus actual reports or other financial reports throughout 2015 and 2014. The failure to monitor financial activity may have contributed to the identified reporting errors not being detected. In addition to inhibiting Council's ability to detect financial reporting errors, the lack of monitoring increased the risk that actual activity is not in line with the budgeted receipts and disbursements approved by Council, that noncompliance with laws and regulations will not be detected, and that other errors and/or irregularities will not be detected in a timely manner.

The errors identified above should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. In addition, the Village Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, and the UAN Manual, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity. Also, the Fiscal Officer should provide Council with a monthly financial reporting package that consists of, but is not necessarily limited to, budget versus actual receipt and disbursement reports, fund balance reports, check register, and bank to book reconciliations. These reports could be provided electronically or in hard copy. Evidence of Council's review and approval should be noted in the minutes. The Members of Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements.

OFFICIALS' RESPONSE: See response at the end of finding 2015-002

FINDING NUMBER 2015-002

Significant Deficiency / Noncompliance Citation

Village of Beaverdam Council Minutes dated July 10, 2012 state "the Fiscal Officer ask Council if we get a loan for the Town Hall are we going to pay for it out of the income tax & water & sewer, Council all said yes we will take a third out of each account if we get the loan." The Village obtained a bank loan dated September 25, 2013 in the amount of \$300,000 for the purpose of constructing a new town hall building.

**FINDING NUMBER 2015-002
 (Continued)**

During 2015, the Village made principal payments in the amount of \$11,148 and interest payments in the amount of \$9,148 on the town hall loan. The Village recorded \$7,340 of the town hall loan payments made in 2015 to the Income Tax Fund (General Fund under GASB 54) as capital outlay disbursements, \$2,250 to the Enterprise Water Operating Fund as other disbursements and \$10,706 to the Enterprise Sewer Operating Fund as capital outlay. Based on the town hall debt payment allocation approved by Council of one-third from the Income Tax fund, one-third from the Enterprise Water Operating Fund and one-third from the Enterprise Sewer Operating Fund, and based on the amortization schedule for the loan, in 2015 disbursements for \$3,716 of principal and \$3,050 of interest should have been charged to each fund.

During 2014, the Village made principal payments in the amount of \$7,290 and interest payments in the amount of \$7,975 on the town hall loan. The Village recorded \$8,502 of the town hall loan payments made in 2014 to the Income Tax fund (General Fund under GASB 54) as capital outlay disbursements, \$3,385 to the Enterprise Water Operating Fund as other disbursements and \$3,378 to the Enterprise Sewer Operating Fund as capital outlay. Based on the town hall debt payment allocation approved by Council of one-third from the Income Tax Fund, one-third from the Enterprise Water Operating Fund and one-third from the Enterprise Sewer Operating Fund, and based on the amortization schedule for the loan, in 2014 disbursements for \$2,430 of principal and \$2,658 of interest should have been charged to each fund.

These errors had the following impact on fund balances at December 31:

<u>Year</u>	<u>Income Tax Fund</u>	<u>Water Operating Fund</u>	<u>Sewer Operating Fund</u>
2015	\$ 574	(\$4,516)	\$3,942
2014	\$3,414	(\$1,704)	(\$1,710)
Total Adjustment	\$3,988	(\$6,220)	\$2,232

The failure to allocate debt payments according the approved allocation could result in adequate resources for other obligations not being available in the funds overcharged. Also since the approved allocation of debt payments would have been and should be based on planned and actual usage, overcharging a restricted fund results in the illegal disbursement of money restricted for other uses.

The accompanying financial statements and accounting records have been adjusted to allocate the town hall loan payments to the funds according to the allocation approved by Council. Also the financial statements have been adjusted to reclassify the loan payments as debt principal and interest.

The Fiscal Officer should record the debt payments according to the allocation approved by Council. Annual appropriations reflecting the approved allocation of debt payments to funds and classification of debt payments as principal and interest should be prepared and approved by Council. Also, the Fiscal Officer should provide Council with a monthly financial reporting package generated by the UAN system which will allow them to monitor the payment of debt obligations from the appropriate funds.

OFFICIALS' RESPONSE:

I am working on fixing some of the findings in 2015-001 and 2015-002. I have already started taking the amount for the town hall out of all three accounts.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	<p>Recording of Financial Activity – Classification errors were identified on the financial statements.</p> <p>This comment was first reported in the 2007-2006 audit period.</p>	Repeated as finding 2015-001	None
2013-002	Ohio Rev. Code § 5705.10(D) – Receipts were recorded in the wrong funds.	Corrective action taken with no material errors noted during the current audit period	
2013-003	Ohio Rev. Code § 5705.41(D) – expenditures were not prior certified.	Corrective Action Taken and Finding is fully corrected	



Dave Yost • Auditor of State

VILLAGE OF BEAVERDAM

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2017